The Real Estate ANALYST

SEPTEMBER 28
1956

APPRAISAL BULLETIN

Volume XXV

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Number 41

Real Estate Economists, Appraisers and Counselors

THE PLANNED INDUSTRIAL DEVELOPMENT FROM THE APPRAISER'S VIEWPOINT

IN many respects the industrial park is a first cousin to the suburban shopping center. Following the lead of retail development, industry has now been swept up in the unceasing march of real estate development away from the central city to the fresh air of the outlying regions. To offset this trend private developers, nonprofit civic organizations, or public agencies in various communities are advancing programs for "close-in" industrial parks, oftentimes taking advantage of what had previously been considered unusable land. In many cases, however, interested parties, desirous of competing with suburban districts for new industry, are going to the real estate cupboard and, like Old Mother Hubbard, are finding it bare. Suitable land in the central city too often is just not available. In some cases, title I, the urban redevelopment provision of the Housing Act of 1949, is being used to clear blighted districts, and, in some cases, these projects lend themselves satisfactorily to planned industrial developments. Through the haze of battle between central district and Suburbia, however, can be seen the clear outlines of a definite trend toward the planned industrial community. The haphazard Topsy-like industrial developments of yesteryear are rapidly becoming a thing of the past.

Through the usual trial and error process a set of standards governing the proper development of a proposed industrial park is gradually being codified. It is not the purpose of this bulletin to duplicate the many fine articles and pamphlets that have been written on the subject. We thought it might be helpful to our subscribers, however, to summarize the prevalent line of thinking, currently in effect, with regard to what should go into the proper planning of an industrial park.

Our organization has just completed a rather interesting survey on demand for industrial ground and relative prices being asked for sites in current industrial developments. The survey was taken in connection with an economic study being made on a large title I project which features commercial and industrial developments, in addition to a certain amount of middle-income housing. In our survey we polled industrial Realtors in all parts of the country. The results of the survey pointed up some very interesting facts.

An overwhelming majority (more than 8 to 1) stated that there was a need in their communities for additional sites for wholesaling or light-industry-type industrial development. When asked to express an opinion as to the probable percentage that demand exceeds supply, the median response was 25%. Based

on an arithmetic average, the figure would be an even more startling 37%.

More apropos to the appraiser's interest is the price being brought by well-planned, "close-in" industrial sites. Here, the median average is 82¢ a square foot. Again, if we are to rely on an arithmetic average, we would have to go up the scale to a figure of 94¢ per square foot.

The average size development apparently is in the neighborhood of 350 acres. This is somewhat less than the 454-acre average indicated by the United States Department of Commerce in its survey of 122 existing districts.* The difference probably lies in the fact that we are most concerned with "close-in" type developments. The average site size works out to be 2.6 acres. Of course, in practically all developments, a range is given, with the absolute minimum listed as 10,000 square feet, and the maximum individual site size to be 50 acres. Far and away the most frequent reply to this question was in the 2- to 4-acre category.

There is apparently no limit to the total acreage that can be included, at least in the initial stage, in a planned industrial district. The smaller districts, often called "industrial courts," may run as low as 10 to 25 acres. Oklahoma City, Kansas City, Atlanta, and Dallas have projects running 1,000 acres in size. Santa Fe's Los Angeles district may run as high as 3,000 acres. Purchase price of the raw land can range anywhere from $600 to $10,000 an acre, depending on location and the amount of grading necessary to develop the site.

The apparent spread between the purchase price of the raw land and the sales price of the developed site may not hold the generous profit implied by the figures shown above. The United States Department of Commerce survey indicates that minimum costs for streets, water, and drainage will range between $2,000 and $3,000 an acre, with the higher price applicable to developments having smaller sites. In developed districts, which would apply to the "close-in" type of development, total development costs have been known to run as high as 50¢ a square foot. In the case of the Trinity district in Dallas, utility, grading, drainage, and paving costs ran approximately 24¢ per square foot, where completed sites ran 200 feet in depth. Since this development first got under way in early 1947, these costs would undoubtedly run considerably more at this time. In a railroad-sponsored project, developed, for the most part, in 1952, the cost for all expenses ran approximately 19½¢ a square foot. The gross area amounted to 121 acres, of which salable sites comprised 79 acres (65%). A small eastern district showed a cost of 21¢ on a comparable basis.

Prerequisites of a good site include accessibility to rail, public utilities, a satisfactory sewer system, adequate water supply, satisfactory subsoil, and, of course, good highway or street connections. While some planned districts, particularly the smaller "courts," are sometimes without rail facilities, our survey indicates that these are definitely in the minority. Those "close-in" developments reporting rail facilities outnumbered those without by a ratio of 10 to 1. The use of the piggyback shipping system has not made the presence of a rail spur less desirable, in the eyes of the average manufacturer.

*Organized Industrial Districts.

Quite obviously, the appraiser in evaluating raw land for proposed industrial parks must place a negative value on any deficiencies among these "must" items. Land which apparently has been bought at "below market" in the first analysis may turn out to be extremely expensive after development plans have been completed. Consideration must be given to possible subsoil deficiencies requiring heavy piling or extensive fill to bring the tract up to a usable grade. In the former instance, the appraiser should insist on an acceptable subsoil analysis if there is any doubt as to existing conditions in the subject property. The cost of such items as bringing a rail spur, utilities, sewers, or roads to the edge of the subject property can usually be ascertained with a considerable degree of accuracy. The various companies, or governmental bodies, involved will generally assist in this phase of the problem.

In the actual development of the raw land into plant sites, the developer should not only provide facilities that serve current needs satisfactorily, but also provide for future developments. It is quite difficult for the developer to anticipate future needs of those firms locating in his project. It is usually out of the question to attempt to hold ground for future development for all occupants. Consequently, early occupants of a project should be urged to provide for possible future expansion. Through careful planning, the developer can, and should, make provision for probable maximum traffic flow, both by automobiles and trucks.

After satisfying himself that the developer's responsibilities are properly provided for, the appraiser must next turn his attention to the individual occupant. Where sites are being sold outright, and this appears to be the prevalent arrangement, deed restrictions that add to the aesthetic value, as well as the functional operation of the development, are necessary. In addition to the specific points affecting the subject development in particular, these covenants might well cover all requirements of the local building code and zoning regulations. In this way, the future of the development will be protected from any adverse political developments, including any possible letdown in the proper enforcement of these regulations: Some of the factors which might well be covered in restrictive covenants are:

- Exclusion of nuisance industries
- General construction quality
- Exterior finish of walls exposed to street
- Setback from front and side lines
- Building height
- Time allowance between period of purchase and construction of building
- Provision for loading
- Waste disposal
- Resale of unimproved land
- Width of joint driveways
- Driveway surfacing
- Landscaping
- Parking restrictions
- Building-to-land ratio
- Location of utility lines (underground)
- Size and location of signs
- Building and grounds maintenance

In the case of parking, it is apparently almost impossible to set any hard and fast rule as to the necessary allotment per square foot of building area. Manufacturing employment varies considerably from industry to industry relative to the amount of floor area used. The matter of the number of working shifts should be considered. General restrictions can be placed in the deed, making it mandatory for the occupant to provide sufficient parking area. This problem should be worked out by analysis of the prospective occupant's needs as to employee, customer, and company vehicle parking, in the determination of the

proper sized tract for his new plant. In an article on this general topic, ENGINEERING NEWS-RECORD comments that, ". . . with some industries it has been found that car spaces for 30% of employee enrollment have been enough. In other cases, where an industry is working on a three-shift basis, spaces for 100% of employee enrollment have been inadequate." Along this line, careful consideration should also be given to requirements for truck parking and dock loading facilities.

Where proposed districts are located within incorporated communities, this question is not necessarily an open one. Most zoning ordinances today include provisions for parking and truck loading space for all new commercial and industrial installations. A typical provision calls for space for one automobile for every five (in some cases up to 10) employees based on the greatest number in any one shift. One loading space is usually required for every 25,000 square feet, or fraction thereof, of gross floor area. Of general interest is the fact that an analysis, made by our organization, of 100 or so new industrial developments located in Greater St. Louis (including only medium-sized or small installations) indicates that, on the average, 4 square feet of ground are purchased for every square foot of building erected on the property.

The disposal of the individual sites by the developer can be handled in a number of different ways. The most popular are the outright sale of the fee, as previously mentioned, and a straight lease deal with renewal option. Leases usually cover an initial period of 10 to 25 years, with renewal options. In most cases, leases are net to the owner, providing for the lessee to maintain the building, landscape the site, make any alterations, insure the building, and pay the real estate taxes. Where a leased operation is contemplated, the developer must weigh the prospective tenant's credit rating. This would be particularly true where the improvements are of a special-use nature.

Those projects being handled on a lease basis are finding considerable favor, particularly among smaller users. Through this medium the developer can provide the prospective tenant with a package deal, including a plant site fully developed with all utilities, and, in many cases, a rail spur and a finished building designed to the tenant's specifications. Removed is the ordeal of dealing with the various public bodies involved, hiring an architect, and supervising construction, to say nothing of the oversize investment. The latter is a very important point in view of today's tight money market situation.

For the prospective developer of a planned industrial district, these points are all pertinent. While he may not realize it, they are every bit as important to the appraiser having an industrial assignment. If the subject property is an industrial park in the planning stage, he must be prepared to attach a dollars and cents value to the pluses and minuses of the proposed development program. If, on the other hand, he is asked to appraise an older industrial property, not having the amenities offered by this "new look" in industrial development, he is faced with the problem of depreciating the property for economic obsolescence. In either event, the foregoing brief review of what goes into the proper planning of a well-conceived industrial park can serve as a bench mark.